GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1447
ANSWERED ON:16.07.2004
GDP RATIO IN COMPARISION TO OTHER DEVELOPING COUNTRIES
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Will the Minister of FINANCE be pleased to state:

(a) whether the tax GDP ratio is very low in our country as compared to other developing countries;

(b) if so, the facts thereof;

(c) whether the Government proposes to take measures to increase this ratio; and

(d) if so, the measures proposed to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a) & (b): The tax-GDP ratios of select developing countries, including India as given in the World Bank document `World Development Indicators` are as under:

Tax revenue as per cent of GDP

Country	1999	2000	2001
Argentina	12.6	12.9	12.5
Bangladesh	-	7.0	7.0
China	6.1	6.8	6.8
Colombia	10.6	10.8	10.8
India	9.1	9.6	10.0
Indonesia	15.7	16.5	13.2
Mexico	11.7	12.3	13.2
Pakistan	13.1	12.1	12.4
Sri Lanka	14.9	14.5	14.6
Thailand	13.7	14.1	14.5

Source: World Bank-World Development Indicators 2001, 2002, 2003.

(c) & (d) The National Common Minimum Programme commits the Central Government to increase the tax-GDP ratio by undertaking major tax reforms that expand the base of tax payers, increase tax compliance and make tax administration more efficient. Tax measures proposed in the Union Budget for 2004-05 presented to Parliament on July 8, 2004 include, inter alia, withdrawal of exemption on interest earned from Non-Resident

(external) Account, taxation of gifts from unrelated persons above the threshold limit of Rs.25,000, extension of credit of service tax and excise duty across goods and services with a view to moving towards integrating the tax on goods and services, extension of service tax to more services and increase in the rate of service tax from 8 per cent to 10 per cent. The Budget Estimates for 2004-05 indicate an improvement in tax-GDP ratio from 9.2 per cent in 2003-04(RE) to 10.2 per cent.